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A SERIES  
OF  
**LETTERS**  
ON THE  
**CIRCULATING MEDIUM**  
OF  
*The British Isles;*

ADDRESSED TO  
THE EDITOR OF THE ROYAL CORNWALL GAZETTE,

AND

**Originally Published**

IN THE  
NUMBERS OF THAT PAPER

*For November 28—December 12—and December 19, 1818 :*

WHEREIN IS LAID BEFORE THE PUBLIC

A Plan for a General Reformation of the present vicious System  
of the Currency on a principle that, with entire deference to its  
decision, the Writer hopes will appear on considera-  
tion at once safe, simple, and efficacious.

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## ERRATA.

The Reader is requested to make the following corrections and additions :—

Page 8, line 19, after insuring, omit the word *at* and insert a comma.

Page 15, line 2, for the silver currency, read the *proposed* silver currency.

Page 17, line 3, after the word same insert *time*.

Page 28, line 16, for large read *larger*.

— 29, line 23, after revenue, insert *and to trade*.

— line 25, after advantage, insert *to the State*.

Page 34, line 15, for its read *the*, and after use, insert *of gold bullion*.

Page 35, line 17, for exportation, read *re-exportation*.

Page 36, line 5 from the bottom, for greater, read *superior*.

Page 37, line 1, after evident, insert, *as observed in a former letter*.

Page 39, line 12, for one-fourth, read *one and one-fourth*.

— line 23, after with insert *a*.



**LETTERS**  
ON THE  
*Circulating Medium.*

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**LETTER I.**

*Truro, Friday, Nov. 20, 1818.*

SIR,

Every feeling and reflecting mind has long lamented the evils arising to society in this country from the state of the paper currency; to remove or palliate which various remedies have been proposed, all of which have been judged unfit to be adopted as containing some radical defect. A general recal of the Bank of England notes, and the issue of other notes for £5 each and above, executed with greater care, to replace those of the same denomination now in circulation, and of gold coin to replace the smaller notes, would doubtless be an effectual check to the prevalency of forgery; but the gold coin continuing to be issued of the same intrinsic value and of the same relative value as compared with silver as at present, viz. the gold in the sovereign being continued, on the average of the market rates of gold and silver, worth as much as the silver contained in 20 shillings; it will be obvious that a variation in their relative market

prices must frequently offer inducements for melting down or exporting gold or silver coin as either uncoined gold or silver rises in its relative market price.

Suppose by a variation in the market the gold in the sovereign becomes worth 24 shillings, (and we have known it higher) it can still pass in this country but for 20. What is the consequence? Why, one hundred pounds worth of uncoined gold may be brought from other countries and exchanged in our markets for one hundred sovereigns or one hundred and twenty pounds worth of coined gold, (as long as the latter continue in circulation) and our gold coin will presently be melted down, or exported to countries where it is valued by its intrinsic worth. Thus a main branch of our currency will disappear; in replacing which the revenues will lose £20 per cent. besides the expences of the coinage—*toties quoties*—and if the foreign merchant is the speculator, this loss to the revenue is in no degree counterbalanced by any gain to subjects of the realm; the improvement of whose estates might otherwise promise some future return in taxes, &c.

A rise in the relative value of silver would offer, as I before observed, similar inducements for melting down or exporting silver coin; but the greater waste in the melting it, and the greater weight and bulk of a given sum attempted

to be exported, would both lessen the temptation and increase the difficulty, expence and risk to the speculator; be more easily guarded against by the government; and be attended with infinitely less eventual loss to the country: I shall therefore think it unnecessary to say more on that head at present. But to remedy the evils occasioned by a supposed rise in the relative value of gold, whilst gold coins retain their present intrinsic value, *a reduction of the intrinsic value of the sovereign to 18 shillings has been proposed.* It will be well therefore to consider what would be the probable consequence. *Without some provision to counteract the natural tendency of this measure, a general depretiation of the currency must ensue;* whilst the superior intrinsic value of silver coin relatively, on the average of the market prices of silver and gold, would, on any unusual rise in the value of the the former, offer a dangerous encouragement to speculators, and such as might obviate all objections and difficulties as to the melting down or exporting that part of our coinage.

We have then still to find some expedient that may, on the one hand, reduce the existing lamentable temptations to forgery, and on the other to the exportation or the melting down of our coin; and at the same time guard against the incalculable evil of a general depretiation of our currency. Without presuming to

say that I have discovered this most desirable expedient, the importance of the object is such that I beg your permission to lay before the public, through your paper, some ideas on the question. My suggestion will have at least this recommendation to attention, namely that it is simple in the extreme; and supposing it to be suitable to the end in view, it will only be surprizing that so obvious an expedient should hitherto have been overlooked by so many humane individuals, infinitely more likely than the writer of this to have hit upon it.

*Instead of either silver or gold coin, let a certain weight, say that of the present sovereign, in uncoined gold of the same degree of fineness, be the standard.* Government might then, I conceive, reduce the intrinsic value of every denomination of its coin without risk of depretiating its current value in the domestic market, to which alone we wish to confine its circulation, and might derive a profit of 3 or 4 shillings from the coinage of each sovereign, and a proportional one on all its silver coin; the greatest that I should suppose could be thence derived without giving too great encouragement to the fraudulent imitation. Consequently, *sovereigns* of the intrinsic value of, say 16 shillings, and *shillings* of the intrinsic value of 16-20ths of their intrinsic worth, will be Government Tokens; of which 20 of the latter should be convertible into

one of the former ; and of these again 5 into a Government £5 Note--and one hundred of them, or Government Notes of the same nominal value, into a weight in gold equal to one hundred sovereigns of the present currency, and of the same degrees of fineness, either at the Bank of England or at some Office to be established for that purpose by Government. In such circumstances a rise in the value of gold will cause a similar rise in the value of the gold coin or tokens, for the home market, without subjecting the country to risk of loss by either domestic or foreign speculation. For, whereas the sovereigns, when intrinsically worth 20 shillings each on the average prices of different markets for uncoined gold, might by a turn of the market price become intrinsically worth 24 shillings, and could yet pass there legally but for 20 shillings, and might perhaps be bought in exchange for foreign merchandize at that rate, and to any amount, and exported at a loss to this country of above 20 per cent. : by the proposed change in the currency, &c. the sovereign, intrinsically worth but 16 shillings, being legally and readily convertible into a certain weight of uncoined gold, would, at the same supposed rate of uncoined gold in the market, purchase in all the greater domestic marts the like quantity of foreign or home produce as the weight of gold thereby represented would have purchased, viz. 24 shillings worth.

This question, as it might affect the relative concerns of Government and the Bank of England, would probably involve no very great difficulties, and the latter might be made subservient to the proposed arrangements. But I do not propose entering into minutiae, meaning to confine myself to suggesting the idea of making a given weight of uncoined gold, the standard, and to make the currency consist of counters of sufficient intrinsic value, and of such superior execution as to discourage fraudulent imitators, and at the same time, on the average of markets, so much below their nominal value as to leave little probability of their becoming at any time an object with speculators, either for melting down or exportation, thereby securing the circulating medium from depreciation, and yet more from the annihilation to which it is at present exposed ; and insuring at a comparatively trifling consideration indeed, a large immediate profit in seignorage to the Crown.

I am, &c.

Y. Z.



## LETTER II.

*Tuesday, Nov. 24, 1818.*

SIR,

As the plan laid before the public in my letter addressed to you on Friday last, may, in the opinion of some, require farther development,



and is doubtless open to some objections, I have thought it right thus to solicit your attention to a farther discussion of the subject in a second letter, wherein I shall enter more into detail and endeavour to answer such objections as I can anticipate. It might, on a slight view of the question, be thought that, were it not for the temptation such step would hold out to the fraudulent imitation of that branch of our coinage, a greater reduction of the intrinsic, as compared with the nominal value, of the gold coin, might be desirable than that I there suggested, since it is well known that guineas were, during a certain period of the late war, bought up even at 30 shillings each ; privately indeed in England, but openly in Ireland (where no law opposed it) till they were wholly withdrawn from circulation in both countries. But on farther attention to the principle of the proposed system, it will be seen that *the relative value of the gold, silver, and paper currency under it will be subject to no fluctuation*, and that *the permanent circulation of the former will be fully secured by any reduction of its intrinsic, below its representative value, that shall make it worth while to exchange it* ; (for which object the proposed reduction of 20 per cent. would amply suffice) so that *no possible rise in the value of uncoined gold as compared with silver, could endanger the circulation of the gold counter on the one hand or*

*the preservation of the relative value of the silver counter on the other ; 20 of the latter being originally supposed convertible at option into one of the former ; and these again by an easy process into uncoined gold, of 20 per cent. greater intrinsic worth.* The relative rise of uncoined gold above silver would consequently cause a general advance in the value of the currency, of whatever denomination (silver inclusive), as compared with uncoined silver; and the solvency of the Bullion Bank being undoubted, no considerable run on it is to be apprehended, for the counters and bills will, from their superior convenience, be always preferred for domestic commerce, and the merchants will gladly take them in payment at the legal rate for any gold bullion in their possession not wanted by themselves for exportation; whilst the Government Bullion Office might advantageously re-issue a part of the counters and notes, received there on any unusual demand for gold bullion, in the purchase of silver bullion; which proceeding would at the same time tend towards a restoration of the usual relative value of the precious metals, and to an economical mode of providing materials for a future silver coinage. Meanwhile it will be evident, that gold will in no shape leave this country but for its full intrinsic value. It may indeed be *justly* objected against a minor branch of the proposed plan

(*though I think with little weight*) that should silver rise more than 20 per cent. above what is considered its average relative value to gold ; or in other words, should the silver contained in 20 of the proposed shilling counters at any time, by a turn of the market, become worth more than the quantity of uncoined gold for which they might legally be exchanged at the Bullion Bank (and the rise of 30 or 40 per cent. in the relative value of silver would seem as probable as a similar one in that of gold, and it has been already observed that the latter, at a not very distant period, actually did rise nearly 45 per cent. in the comparative scale :) in such event, I say, it might be objected that in proportion to such excess of value, there would be temptation to the cupidity of speculators and danger of the silver coin being melted down or exported. I must acknowledge, that I know not how the evil of this supposed case can be obviated *without running into a far greater.\** It is true that the currency being proposed to consist of legal pledges readily convertible into the value they represent, it might in any, or in every branch, equally, as already in the bills, be made totally devoid of intrinsic worth and yet remain secure from depreiating, in domestic cir-

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\* I had but just sent the above Letter to its destination when I perceived that this admission should be *qualified* : as the reader will see in his perusal of Letter the Third.

culation below its nominal value: but in reducing the gold and silver currency 20 per cent. below the average value of the portion of gold represented by them respectively, all danger as I have already said to the permanent circulation of *the former* seems to be obviated, and this comparatively small one to that of *the latter* had, I think, better be risked than attempted to be remedied by an expedient that, by temptation to coiners, might give birth to as many crimes as those it was a main object of the proposed system to suppress. The reduction, therefore, in the intrinsic value of either the gold or silver currency should not, I think, be more than 20 per cent. and that of the latter, with a view to its probable preservation, cannot well be less: a less reduction, however, of the gold coin would, I suppose, suffice to secure the permanency of its circulation, should it be judged requisite for the greater discouragement of illegal imitation; but when it is recollected that the temptation to such imitation in *base metals* will be nowise affected by a reduction in the size of the coin, and that besides, an *apparatus not easily concealed and a capital* will be necessary to enable the illegal coiner to issue a coinage in genuine gold (which alone can long evade detection whatever skill may have been exercised) I should doubt whether it would be desirable to weaken in the slightest degree the

securities for the permanent currency of that principal part of the coinage, and to sacrifice in the proposed new coinage the established rule of keeping to the average proportional value in the gold and silver currency, \* for a danger which will be very small compared with the existing ones arising from the facility of forging the smaller notes. But this will be a matter for consideration where the subject will be better understood, and where every change in the present system must originate. The intention of calling in the aid of eminent skill in various branches of the arts for the fabrication of Bank Notes will do much for the security of the *greater bills*, which will not only from their superior execution be more difficult to imitate but from their currency being chiefly confined to the more opulent and better informed classes will more probably thus find protection in the greater qualifications of those classes for detecting imposition; and when it is further considered that their higher representative worth will naturally direct the receiver's attention to a proportionably stricter ex-

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\* Were gold coin made the standard, my Fourth Letter will shew that I consider a *reduction* in the relative intrinsic value of its representative parts in the silver coinage as necessary to preserve them to the circulation, in the event of a rise in favour of silver bullion as compared with gold bullion in the market price. But this even then could not safely exceed 20 per cent. on account of the temptation a greater reduction would hold out to the illegal coiner—and a reduction to that amount being in the proposed system meant equally for every branch of the coinage, the average relative proportion of their intrinsic values would in the latter case be still preserved.

amination of them, that branch of the currency may be considered as in a train for being satisfactorily secured ; I shall only add that should these suggestions be in any degree a means of leading to an equally effectual remedy of the existing defects in the *system itself*, and in the other branches of the *currency*, a great national object will have been attained ; and (loyalty apart) every humane person would partake in the satisfaction at so great a check to crimes and punishments, that would be felt by

Yours, &c.

Y. Z.

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### LETTER III.

*Wednesday, Dec. 2, 1818.*

SIR,

As my communication to you by last Wednesday's post, (meant to correct an error and supply some omissions in my letter of the preceding day, and the latter to be embodied therewith in the printed copy) through some accident reached you too late for that purpose, I find myself compelled to trouble you once more ; and, on resuming the subject in a third letter, I shall now probably pursue it somewhat further than I had originally designed.

In my Tuesday's letter I *admitted* that, on the contingency of silver bullion rising in the market above 20 per cent. higher than its average

relative value to gold, *I knew not how to obviate the danger of the silver currency being withdrawn from circulation. This admission should have been qualified, and to qualify it was a principal reason for my writing you on the following day; but* having, as before observed, been then disappointed in my views of correcting that error, and of making certain additions to the printed copy of my letter, I shall now proceed to remedy the inconvenience as well as I can, and without further preface.

Instead, then, of saying that *I know not how to obviate this danger*, I would, on recollection, rather say, that *I can suggest no positive security against it.* A positive security against its recurrence is, indeed, no where perhaps to be found, but the *proposed system furnishes a probable one, and certainly a palliative.* For as it was remarked that the national establishment recommended would, in the comparative rise of gold bullion, find an inducement for the purchase of silver, it might clearly on the like rise of silver derive a profit from its resale. Let it be supposed that silver bullion has risen to, say, 23 per cent, above its usual or average relative value: the Establishment would thence have an opportunity of making a net profit on as much of it as the managers should think it expedient to exchange for gold. Now this profit, on sales to a small amount, would be in exact proportion to the

supposed rate of exchange, that is 23 per cent. on the quantity sold; but the greater object of the Establishment, (and to provide for which, rather than any more immediate advantage, should have influenced them in the original purchase of the silver bullion) being to deprectate its relative value to gold bullion for the preservation of the silver currency, it would be prudent to throw, if possible, so much of it into the market, and withdraw so much gold bullion in exchange, as might, by the combined operation thereon, lower the price of the former till the difference were brought within 20 per cent. of their average relative proportions; when the silver currency would be again secured from immediate danger and that by a transaction embracing a collateral advantage of giving above 20 per cent. profit to the State.

The silver bullion thus thrown again into the market was supposed, in my last letter, to have originally accumulated at the Bullion Bank through purchases made with a *part of the notes and counters* presented for payment in gold bullion, on a more than usual demand for the latter. Now the measure referred to, whilst calculated for effecting an immediate rise in the value of silver bullion made also a cheap provision for a future silver coinage and for a reversed inclination of the balance in the proportional value of gold and silver bullion; *but*



*in attempting to bring back the precious metals nearer to their usual relative value great circumspection should be used in order at the same to preserve unaffected the relative value of gold bullion to all other commodities, as a check to its demand for exportation; and perhaps it might, on this account, be desirable that silver bullion also should continue to hold an average relative value to gold lower at home than abroad, and that, though a great disproportion should be guarded against, some if possible should always be retained in favour of gold. It was on this consideration that in speaking in my last letter of the re-issue of the notes and counters from the proposed Bank (after their being presented for payment in gold bullion on any more than usual demand for that metal) in the purchase of silver bullion that I thought it right to suggest the limiting such re-issue to a part only of the portion of the currency so returned. Because, gold being necessarily, in a prevalence of the proposed system, the standard of the value of all other goods, it follows from a rise in the value of gold, that a circulating medium representative in the aggregate of a less quantity of gold, will on such rise bear a given proportion to the whole wealth of the realm. It might, and I think, would be therefore proper in such case gradually to reduce the aggregate representative value of the government notes &c. till the precious*

metals through the course of exchange returned nearer to their usual balance—which, were the loss of that balance local, and chiefly confined to this country, they would quickly do; as the merchants, finding it for their interest whilst silver in the home markets was depreciated, to export it rather than gold to all countries where the relative value of the precious metals had suffered less change, would thence, in the prosecution of their own views, most powerfully assist the Establishment in effecting its restoration.—Besides which, the greater relative value of gold with regard to all other commodities, would enable the manufacturer and agriculturist to carry on their respective pursuits, and the merchant to buy up a greater portion of the produce of their industry at a less nominal cost; and gold bullion bearing a greater proportional value to silver at home than abroad, it would of course be preferred to it as an article for importation. At any rate *while gold bullion remains at an advance in the home market, it may I think, be justly observed, that its representative aggregate amount in the currency of the nation should be proportionably reduced, however long that may be; and that (should it be for a very long period) it would be deserving of consideration whether the sovereign token ought not, for the convenience of domestic trade, to be subdivided into a greater number of fractional*

*parts, in the silver and copper currency* and in your correspondent's opinion the thus withholding a part of the usual aggregate amount of the currency from circulation, immediately on the occurrence of such rise on gold bullion, and in case of the permanency of such rise, an ultimate farther subdivision of the sovereign in the smaller coinage seems, as combined with the proposed system, a sure and safe, and is probably the only effectual method of at once preventing great losses to the Establishment in providing at any cost for the continual demands of bullion, to which it would otherwise be subject, of insuring a sufficiently extensive currency for affording the usual facilities to trade at home, and of at length enabling the Establishment, by a consequent influx of gold bullion from foreign countries, to re-purchase on moderate terms as much of it as might be wished by a re-issue of the remainder, or of any portion of the remainder, of the notes &c. before withdrawn from circulation; *and this without any necessity for discontinuing payment in gold bullion even for a moment*—unless, possibly, foreign wars or foreign loans give birth to it, in some manner that I cannot at present foresee. In both these instances, however, it must be evident that the quantity of gold bullion required for exportation, or whether any, as in the ordinary case of the payment of the dividends to foreigners on

their Stock in the English funds, must depend on the rate of exchange.

I wish for the sake of the interests of so many classes of the community, particularly of the stock-holder, the annuitant, the land-holder, and the farmer, that this system, in remedying, as I think it would, so many other evils of the present, could more effectually check the fluctuation in the value of the necessaries of life and of produce in general—but that must ever mainly depend, in every trading country, on the aggregate amount of the circulating medium of the great commercial republic of the world and can never be subjected to domestic control.

So much for the errors and omissions in my letter of the 24th ult. from which letter and from what has been now advanced, I am not without hope that the *practicability* and *efficacy* of the proposed changes have been made sufficiently apparent; and shall therefore next endeavour to prove that they are no less *safe*. This I shall do by suggesting a specific mode in which they might, I conceive, be brought about, and form a system which, whilst it embraces all the advantages to the creditor arising from the responsibility of the revenue, and the option of being paid in gold bullion; need not, on that account, be deficient in any of the private security afforded by the present Bank of England establishment, and

will besides insure to the State a certain and large emolument, in addition to that on the seignorage, and purchase and sale of silver bullion. The currency of notes for £5 and above being all along supposed to continue, the greater proportion, in representative amount, of the circulating medium would still consist of such notes, whether the nation chose to retain the use of the Bank of England, or to take the responsibility &c. immediately on itself. *Should it prefer the latter, a treasure of gold and silver bullion would accumulate in exact proportion as the Establishment issued new bills, the obligation being contracted and a fund provided for its discharge simultaneously.* By this arrangement, the legislature becoming pledged to the holders, the notes will consequently be secured on the revenue, and of the treasure thus raised, (a sufficiency for payment of all probable demands being reserved,) a considerable part might, under due regulation, be immediately disposable for the accommodation of commerce, and the discount on such accommodations, or in other words, the profits of the Bank and increase of its capital beyond the amount of its responsibility, might, subject to parliamentary control, be from the same moment available for the exigencies of the State. *The nation's taking on itself the maintenance of the Establishment in the expences for buildings, salaries, &c. would*

*greatly simplify the Bank accounts—but on examination it would be found that, as from the principle of the proposed system, nothing could be lost in the purchase of gold, and the Bank could have no inducement for the purchase of silver bullion excepting when below its average price, nor for its sale but when above—this part of the arrangement, though desirable, would be nowise requisite.*

From this sketch it will doubtless be admitted that *the machine is useful, if it will act*; it must therefore now be my object, in a more particular description of it, to shew that provision may be made not only for its action, but for the freedom, and, as far perhaps as in human institutions is possible, the perpetuity of its action.

It is well known that certain branches of the revenues of the State are already pledged to its creditors: the surplus or any part of it might be pledged to support the annual and occasional expences of the proposed establishment, and for the satisfaction of the demands of the different holders of the new currency. Let this be done, and the British Bullion Bank would in principle, and in the nature of things, be liable to no moral possibility of failure, excepting Government, in return for its guarantee, drew on its funds to too great an extent in aid of the revenue, and farther than by the proposed regulations it was authorised to do; nor even then but with

the State itself. But though it might seem unnecessary to guard against such improbable contingencies, and the system might, without further precaution, be *practically* safe, if it is capable of being, at small expence, rendered so *in theory also*, it undoubtedly ought: and as I conceive it may, I will endeavour to shew how. If the Parliament, content with an unqualified positive power over the surplus funds of the Bullion Bank, will retain only a negative one over what may be called its trading stock, and setting apart by law a certain portion of the latter for the ready satisfaction of demands by holders of the currency, and a second portion (amounting with the first to a sum equal to the aggregate of all its pledges) disposable at discretion for the discounting bills of exchange &c. or affording other accommodation to trade: would vest the whole in Commissioners appointed, under their sanction, by the Executive, with legal authority to hold the same, as the sole immediate trustees and guardians of the several creditors' interests, (as acknowledged by the nominal value of bills &c. held by them respectively) and oblige them by their oaths of office to exert their best abilities in the discharge of it in first securing the creditors' interests, and as far as consistent therewith promoting those of commerce and the State, and then holding the whole net profit or surplus funds beyond the

responsibilities of the Establishment *and that only* in trust for and at the disposal of the legislature : I conceive nothing remains farther to be done for fully effecting the object, if the Parliament at the same time take the ultimate responsibility on itself. In such circumstances even a bankruptcy of the State would not necessarily affect the solvency, credit, or permanency of the proposed Bullion Bank : for its aids to the State would necessarily have been limited to the *profits* of the Establishment ; and being answerable for no arrears of annual and occasional expences for buildings, salaries, &c. it would evidently (in the supposed case of a dissolution of the government or of its connection therewith) be amply provided from its daily profits with means for supporting every part of its expences in future—granting that the natural course of things be interrupted or disturbed by no violence or aggression from anarchy or tyranny.

Many of the advantages that this plan offers to the nation might doubtless be attained through a private company acting on its own account. But in the alternative of the State's establishing such a Bank for its own advantage, it must be very apparent that the system could not be brought into full operation till the expiration or resignation for a valuable consideration of the Bank of England's charter—but meanwhile *that establishment* might be made use of as a



means for its gradual introduction ; and at the termination of their charter the present Bank Corporation would doubtless gladly dispose of their buildings and remaining bullion to the State, and the rather to entitle them to recommend their subordinate officers to its employ ; whom it would be extremely difficult otherwise to provide for. Meanwhile the country might be supplied with a currency of 20s. and 1s. counters through the Bank of England, which might receive them to any amount from the Mint in exchange for the weight in gold bullion represented by them, the State becoming thereby (without risk of practical consequences) answerable for the ultimate re-payment in bullion, should the Bank of England, after putting them in circulation, require such repayment in consequence of this metallic currency being returned on their hands.

On the near approach of the close of the charter, notes of the State Bank might be prepared and placed at the disposal of the Bank of England, on the same terms as the metallic tokens were previously supposed to have been, for enabling them to recal their own in a manner at once least inconvenient to the public, and most conducive to the immediate object of the State : till on its final close, Commissioners having first examined their accounts, might be authorised to transfer the responsibility for any Bank of Eng-

land notes still in circulation to the New Establishment, on receiving treasure for the value thereby represented ; and a proclamation might be issued for their recal and exchange within a limited time. All this seems easy to be done in the event of Government's coming to an understanding about it with the Bank of England Corporation, and purchasing its treasure and buildings, and taking its officers into employ ; and it is hardly to be expected that, supposing their charter nearly expired, any obstacle should be raised on their part, as they could nowise dispose of their property so advantageously elsewhere.

It may be demanded ; what could be done, should the Bank of England, resenting the non-renewal of their charter, or exorbitant in their terms, decline to accept of any reasonable compensation ? To this I answer—They must on an expiration of their charter dispose of their trading stock and establishment some way or other ; and mediately or immediately they would at length undoubtedly be at the refusal of Government ; and the utmost consequence of the supposition would be a temporary inconvenience in carrying the new system into effect ; an inconvenience, however, that never in fact need be dreaded, since that respectable corporation is both enlightened and liberal, and such conduct on their part must be attended with great sacrifice

of their own interests, and at the risk of reducing to great distress many faithful servants, who, but for this, would readily be retained on the new establishment, but would be thus thrown on the world without assurance of future employ. But so far should I be from apprehending any difficulty of this sort, that I should, on the contrary, anticipate in many of the more distinguished managers of the affairs of the Bank of England, an anxious desire, on a dissolution of that body, to transfer their services to the honourable employ of superintending the proposed national establishment.

I would, here observe, by the way, (which I purposely omitted before, that the plan might be seen in a more intelligible and less complex form) that as the choice of the commissioners might easily, and would of course be made from among the great capitalists, it might be judicious to allow them for their superintendence a given per-centage on the *clear* profits on the trade of the establishment, thereby making the mode of remunerating them at once a spur to vigilance and activity, and a guarantee from all losses through improvidence.

I need not say much to prove that the other alternative must be yet more easy, namely: *If the legislature, satisfied with providing a currency, secure, on the one hand, from all danger of depreciation, and, on the other, of being melted*

*down or carried out of the country, and to a very great degree less liable than at present to imitation, declining to seek farther advantages in the change of system, should wish rather to renew the charter of the Bank of England and to effect it wholly through the agency of that establishment.* This latter method would, in addition to its greater facility, have the farther recommendation to a nation jealous of encrease of patronage in the Executive, that none would thereby be created; whilst the Bank of England, already accustomed to give considerable pecuniary aids to the State might, from an apprehension of a refusal to renew its charter, be induced to covenant for future accommodations on a large scale and on more favourable conditions.

*In the event of such terms being assented to, the effecting the change of the currency, and the subsequent maintaining of the proposed new system through the agency of that corporation, (whose experience in business would qualify them and interest excite them to the most satisfactory execution of that more limited plan) ought certainly not to be declined without deliberation.* But it should not be forgotten, on the one hand, that the legislature having an undoubted right to refuse the renewal of the Bank of England's charter, and to transfer the privileges of it to an establishment of its own, the

concession of a new charter &c. should be made only on condition of an adequate compensation ; nor on the other, *that in the preference of this alternative the creditor loses the greater of the two securities that the former alternative would have given him, namely that of the public revenue.* On the whole : of the alternatives suggested, for operating the change of system recommended, the writer cannot but prefer the machinery of a national establishment to that of a private one, and from every consideration that he has been able to give the question, he conceives, that he has in the former proposed an expedient at once simple, effectual, and safe ; and calculated not only to protect but to advance the prosperity of the country both in morality and wealth.

Were it requisite to keep in store a treasure to the total amount represented by the proposed circulating medium, which he has shewn, (as indeed is otherwise very obvious), that it is not ; this great national object would be effected at the cost of some present inconvenience to the revenue : but if pursued in the manner suggested, its consequences would be, an almost immediate pecuniary advantage, (in profits derived from discount on merchants' bills, from seignorage, &c.) and that accompanied with moral advantages that it would be an insult to humanity to appretiate.

I am, &c.

Y. Z.

## LETTER IV.

Wednesday, Dec. 9, 1818.

SIR,

Wishing to discover any weak points I might have overlooked, in the plan that I lately submitted to the public for the amendment of the present defective system of the currency, (as displayed in my first and second letters to you) or to learn what further elucidation it might require, I took the liberty of addressing separately and by letter, two gentlemen of distinguished rank and ability, requesting their sentiments thereon; and since sending you *my third* intended for publication in your last week's paper, I have been favoured with most obliging answers from them both. One of them informs me that a writer of some eminence has preceded me, in proposing a plan not unlike mine, or founded on a similar principle; but as my kind and respected correspondent immediately proceeds to point out certain difficulties that he considers them both equally subject to in the execution; objections to which he thought them open; and defects supposed inherent in their common principle, some of which my third letter would have obviated; I am not without hope that my plan, when fully laid open, will yet be found to contain something new and useful. At least this much I can most conscientiously declare, that I had never previously even heard of the work

in question, nor of the expedient it seems to have proposed, neither had I heard of any other idea similar to my own, or that I thought likely to attain the object mine has in view. A regret expressed in a country paper, that the *sovereign could not be reduced to 18s. intrinsic value* for the purpose of at once superseding the £1 note and checking the exportation and melting systems, *without risk of causing a general depretiation of the currency*, first directed my attention to the discovery of an expedient that might obviate all the conflicting difficulties; when it presently occurred to me *that such might be found in the establishment of a currency of more representative, than intrinsic value*, on the one hand, and *so near in its intrinsic to its representative value*, on the other, as at once to lay out no temptation to the melter or exporter and to discourage the fraudulent imitation; and *which should be convertible at option into the value represented under such regulations, as whilst they preserved the currency from depretiation, should also guard the responsible party from any very serious inconvenience.* The thought afterward recurred to me at Truro, on the 20th ult. and appearing to me on closer examination well founded, I thought it my duty to make it publicly known; that if really so it might be taken up by some one likely to pro-

note its ultimate adoption for the benefit of society ; and under that impression, I immediately wrote you my first letter. As it was penned in haste, and on the impulse of the moment, it may on that account require an apology ; but that, I trust, both it and its successors will find in the motive that gave them birth, whence constitutional infirmities must preclude all deliberate attempts at a finished or correct performance. I have only to add, on this head, that should the author in question and myself have actually proposed similar plans, or even the same, it is certainly original with me, being entirely a deduction of reason founded on the complaints before referred to ; and that the similarity or identity, if there be either, in our suggestions, ought to be considered a strong presumptive proof that we are both near the truth.

The answers of my obliging correspondents, I am happy to say, have still farther confirmed my belief in the practicability, safety and efficacy of my plan, inasmuch as a natural extension of its principle seems to promise a remedy for every difficulty hitherto pointed out to me, that has not been anticipated in my last Letter.

I am told then that the great objections to such plan are : 1st. that the continual necessity for assaying the purity of the gold bullion, in passing from hand to hand, would be a great



embarrassment to trade ; 2ndly, that the substitution of tokens for the present coin in the manner suggested by me is objectionable on two accounts ; *first*, as offering additional encouragement to fraudulent imitation ; *secondly*, as subjecting the holder to the loss of seignorage as well as to that of any reduction of its intrinsic worth, when it shall have got below the regulated weight (this last objection arose I am sure from a mere oversight on the part of my ingenious correspondent, but I shall nevertheless consider it with some attention in its turn, since your readers in general will be far more likely to fall into such an error,) and next an idea has been advanced that could payment in specie be once resumed at the Bank, the law making silver and copper a legal tender to 40s. and 12d. respectively would sufficiently protect the currency, even under the present system.

I shall begin with the objections to making gold bullion the standard : If I have judged rightly of the consequences of such an establishment, *but little inconvenience could arise from the necessity of an occasional assay of the bullion.* According to my conception it would never be much used in internal commerce, but would generally pass almost immediately from and to the importer and exporter and the Bullion Bank ; with the exception that a few capitalists of the great marts and ports would probably find it

worth their while to provide, and supply the merchant with coin and notes in exchange for his foreign gold bullion on importation, or with gold bullion for coin and notes when the former was required for exportation; in each instance receiving a small per-centage for accommodation in saving the trouble of an immediate communication with the State Bank. That establishment would of course have no more trouble than the Bank of England or the Mint has at present in ascertaining the purity of any given quantity of the gold it would receive: but seeing that its currency in an uncoined state, though very partial, would yet be considerably greater than its present use in commerce, commercial intercourse would be facilitated, and a general preference of the paper currency for domestic trade at the same time be preserved, were gold issued from the Bank in 100-sovereign-ingots (*and not less*) of a regular form, *impressed with the Bank stamp*; and which on being returned to the Bank would subsequently require no other examination than as to weight; its deficiency in which respect should subject the presenter to a proportional deduction, and the ingot itself to an exact fractional reduction of weight (say 1-100th or 1-50th as occasion may require) by the striking off a portion from one corner, and to be re-issued *with a second stamp over that corner* intimating the amount of the

reduction in exchange for 99 or 98 sovereigns accordingly—which process might be repeated till it were judged expedient to condemn it to the crucible.

The bullion brokers and the merchants at the ports and marts would have their transactions greatly facilitated by such a regulation as to the gold required for exportation: and with regard to the imported, as it would, according to my idea, not get into general circulation, but merely pass, for the most part, between the merchant-importer, bullion broker, and State Bank: it would either on reaching the latter, after a similar assay to that which gold always undergoes even now at the Bank of England or the Mint, be reduced to stamped ingots previous to a re-issue—or, if wanted for exportation before reaching the Bullion Bank, it would probably occasion the necessity but for two examinations—namely that for the satisfaction of the broker, on its importation, and a second for the satisfaction of the exporter. The limiting the payments in bullion to the 100-sovereign-ingot and above could no-wise deprectiate the note and counter; since the bankers and other capitalists, having continually transactions with the Establishment to a greater amount, would of course take them at their full value: but the mutual conversion of the £5 and the greater notes and of counters at the State Bank each

into the other branch of the currency, as it might without inconvenience, should be left wholly free.

Now with regard to the risk of forgery, on reducing the intrinsic value of the medium of commerce, I do not think it fair to compare *the counter* with *the guinea*; for *though the guinea issued, as at present, at its average intrinsic worth, has much the advantage of the proposed counter, as offering less frequent and less powerful temptation to the illegal coiner; yet, as being less obnoxious in this respect ONLY IN EXACT PROPORTION to its offering the like temptation on the other hand to the melter and exporter, it must I think be considered radically objectionable; and must somewhere find a substitute.* The question then should rather be on the relative utility, for domestic currency, of the small note, and of a gold coin representative of bullion of a greater intrinsic value than itself. It was suggested that this coin should represent a portion of uncoined gold equal to a sovereign of the present currency in purity and weight, but itself worth 20 per cent. less than the gold represented. *Gold* seems preferable as a standard to silver, from its greater convenience as a medium in great commercial transactions—and the weight of the present sovereign-coin to that of the guinea, as answering to the pound sterling of so long established use in accounts. But to return: *For at-*

*tempting any imitation of such coin*, it is evident that the provision of expensive apparatus and materials is indispensable ; and that consequently very poor men cannot as principals be exposed to the temptation. This fraudulent traffic will then be confined to men possessed of a certain trading stock and their prospect of gain limited to what there is a possibility of clearing, after allowing an interest on the stock proportioned to the risk of loss : but this being a peculiarly hazardous embarkation of property, such interest would reduce the profit, otherwise 20 per cent. on each successful transaction, to perhaps a third of the amount : and this reduced prospect of gain, balanced against the penalty of death on conviction, could have no weight but with few of even the most unprincipled—namely, with those individuals in that class possessed at once of the requisite ingenuity and of a bare sufficiency of property to qualify them for the pursuit. *The forger*, on the other hand, has no expensive materials or engine to provide, and supposing equal ingenuity to be requisite in both pursuits, this circumstance must expose a greater number of persons to be tempted to the latter ; and when it is recollected that the premium on the successful imitation of the note (the materials having no intrinsic worth) is nearly 100 per cent. ; there can be no doubt which of them is most exposed to fraudulent

practices; and that the difference on this point in favour of the counter is so great as to much outweigh the consideration of the greater original cost to the State, and therefore to entitle it to an undisputed preference.

*The difficulty respecting a loss of weight in the counter* I thought at first to have obviated by putting it in that respect on a footing with the old silver coinage, which, when reduced in weight in the course of circulation, the Government, in a late instance, called in and received at its full nominal value. But this would have left too great a temptation to cupidity and to the use of the hair-bag. I am however happy to say that this difficulty with regard to the counter, (if considered as relatively greater than as it exists at present with regard to the old coinage) wholly vanishes on reflection; and I am confident that the idea of throwing the loss of the whole seignorage, in addition to the actual loss of intrinsic worth, on the holder, must have been a mere inadvertence. Supposing the identity of the stamp or genuineness of the coin apparent, it should undoubtedly and in common justice, as it would without loss of the original profit in seignorage, be received at the Bullion Bank and thence returned to the Mint, at an abatement not exceeding its actual loss in weight. So that, supposing it to have lost 1-16 of its weight, or 1s. of its intrinsic worth, it should

accordingly be received at the Bank for 19s. and thence returned to the Mint at the like rate in exchange for new coin : the Mint claiming no seignorage, more than at present, on such issue of new coin to the numerical amount returned to it in old, but solely on the issue of new coin to enlarge, or to supply deficiencies in the numerical amount of that branch of the currency. Whereby any one presenting 100 gold counters at the Bullion Bank, deficient in their aggregate weight as much gold as is represented by a gold counter (or, one fourth of the actual legal weight of a counter itself) should be entitled, on paying one counter more of just weight to make up for the deficiency, to receive in exchange a 100-sovereign-ingot ; or without such addition (as soon as a long continuance of the bullion system rendered it practicable) an ingot stamped for re-issue as 1-100th part deficient in weight : thus also in all instances, balancing the sum presented, according to the amount of such deficiencies, if the deficiency be less than the *represented worth* of the gold counter, with proportional number of its fractional parts in silver coin ; *if more* with a gold counter and the requisite number of its silver fractions. Every one to whom the coin should in its course of circulation be offered in payment would by this means be so interested in ascertaining its weight as to prevent fraudulent practices going on

without great risk of detection, and that without being, on the other hand, himself exposed to excessive and unreasonable loss for inadvertence; and to facilitate the relief of domestic trade from the clog that it would feel in a necessity of making continued deductions on every light coin, according to its deficiency—it should be legally payable at that rate of abatement for *taxes*, and so returned to the State Bank and Mint to be recoinced; but prohibited from general circulation immediately that it fell below the legal weight, and this regulation should equally apply to every branch of the coinage. I would here observe, by the way, that though this system would do away £1 and £2 notes of country banks in common with those of the Bank of England, yet, (as those Banks offer great facility to trade) if their greater notes can stand the competition with the notes of the State Bank, they should probably be suffered to continue their trade, paying such taxes for stamps, &c. as the State might think a fair compensation for the privilege.

Though I would not suppress Country Banks, yet, when I call to mind the severe losses sustained by so large a part of the community through the failure of many of them during the late war, and that even within a few weeks last past, when confidence in the stability of those that had survived the shocks of that more



trying period was restored, a very large district was thrown into distress by the failure of an extensive concern of that description, and of high repute ; I cannot but think that the often suggested idea of Branch Banks of the Bank of England might advantageously be adopted in regard to the proposed National Establishment. The managers might be appointed from the great capitalists of the trading and agricultural districts wherein the respective Branch Banks might be placed ; be made accountable to the Central Bank Council and like them be paid by a per-centage on the profits arising from their accommodations to trade ; and in general be guided by the same regulations. This extension of the plan would almost wholly anticipate any occasion for bullion brokers and the consequent loss in discount to the merchants *as far as regarded the stamped bullion* ; and without a general suppression of Country Banks, would do away the present absolute necessity for them, and leave a choice to individuals whether or not to trust their property therein ; when, with comparatively little trouble, they might lodge it under National Security.

These Branch Banks should, at the option of the holder, be obliged to exchange £5 and higher notes and sovereign-counters for each other *on demand, and within a given period according to the distance and the time requisite for*

*procuring remittances from the Central Bank, be equally obliged to pay the Bank Ingots for Notes and Counters, and Notes and Counters for Bank Ingots; making these latter exchanges sooner, or even immediately at their discretion.*

To enter in this instance into minutiae: The mail coach establishment would be a ready means of conveyance, and were the coaches fitted up with suitable spectacles for them, caskets appropriated for each Branch Bank, (with duplicate keys, kept by proper officers at the Central Bank and by the superintendants at the Branch Bank respectively) and capable of containing from £1000 to ~~£50~~<sup>£25</sup>,000 worth, (this greater sum not amounting to six hundred weight,) locked and sealed and under the charge of messengers of the Establishment, to act as extra-guards, might, with the greatest ease and safety, be sent to and from any part of the British Isles.

I have hitherto indeed said nothing of Ireland, and its currency—but, if my observations respecting the *British* currency be just, I can conceive no reason why the proposed change should not extend to the *Irish also*, the vices and defects of the currency and its system being equally pernicious in that island as in this. Scotland I have had in view all along in common with the rest of this island.

Were payment in gold at the Bank resumed, the making the silver and copper coinage a legal tender up to 40s. and 12d. respectively, does not I think, as one of my correspondents seems to suppose, free the present system from inconveniences in *all* cases of fluctuation in the relative value of silver and copper to each other and to gold. The country must indeed be greatly overstocked with those branches of the coinage to endanger any tendency to *depreciation* in either, unless the other branches of the currency are reduced to a very disproportionate amount in aggregate numerical quantity; guarded too as the silver and copper coinage are by the law in question. But in the event of 9 or 10-penny pieces becoming by the fluctuation of the market intrinsically worth 1-21st part of a guinea; or 17s. or 18s. becoming by the like fluctuation worth a guinea—I know not what *under the existing system* is to check the mischievous cupidity of speculation in the melting down or exporting the silver and copper coin in their turn, in like manner as the gold in a similar rise of gold bullion in the market.

Were it the object to amend the present system by making *gold coin* the standard, it could only be done, as I think I before observed, by a relative diminution of the intrinsic value of the

other branches of the metallic currency ; when, supposing the shillings and pence convertible at twenty and twelve respectively into the next higher denomination, they could suffer no *depreciation* and no danger whatever could exist of the melting down and exportation of the coins of the two lower classes, unless the fluctuation of the market in favour of silver bullion and of copper should exceed at any time *the supposed reduction in the relative value of the silver and copper branches of the coinage* ; whilst superior execution might be brought in aid of the system to *guard against* the opposite danger of *fraudulent imitation*. But with the *same view*, the reduction in intrinsic value of the silver coinage as relative to the gold on the average of markets, should be limited to a certain extent. Now supposing the average difference of gold, silver, and copper coin, to be 20 per cent. on their relative intrinsic value in favour of the former, it is evident, as I have observed in a preceding letter, that a rise of above 20 per cent. in favour of silver bullion or of copper would again endanger the silver or copper branch of the coinage, whilst, on the contrary, during the whole time gold was above par, or indeed even at par, the gold coinage would be in danger, inasmuch as the gold coin will generally be preferred to gold bullion for exportation, where the profit is

equal, on account of its greater convenience. On the *present* system the *whole* currency is *never* safe; on *this*, *not* often. *This expedient then could be no more than a palliative*; but my plan is intended to guard against all inconveniences enumerated, and I still hope that either it, or something very like it in principle, will eventually prove a radical cure for most of the vices and defects of the present system.

I am given to understand also, that an idea has been entertained *whether it might not be eligible to take an average of the market prices of gold bullion for a given period from sworn returns, and oblige the Bank to pay its notes in specie according to such average*. Against this expedient it appears to me there are strong objections. *I do not know that we have a right to consider a change of the RELATIVE value of gold and silver bullion as a positive change of the INTRINSIC value of either, till one of them is made a standard for the other*; as it might and would then be for every commodity; instead of our having to grope after it, as at present in our coinage; where if it exists, it is in no particular branch of it—and is looked for in vain.

It must also be of great consequence that the holder of a bill should be in no uncertainty how much coin it may command on exchange. Uncertainty I should think must be very like

depreciation in the value—and Bank bills would, at any rate, on the establishment of such mode of payment at the Bank, become a regular gambling speculation; and the necessity for nice calculations on the probable amount in specie that any given sum in notes would realise on presentation for payment, must, to say the least, continue to act as a very inconvenient clog to all commercial intercourse, both at home, and in a yet greater degree in the foreign market.

In an inquiry so new to me and pregnant with so extensive and important consequences, I dare not decide positively; but we seem to have a reasonable promise of finding a radical and safe cure for the vices and defects of the present system in the introduction of some such currency as here suggested, convertible at will into bullion, and the making the latter the common standard of value for all goods. But though I have considered gold bullion as possessed of claims to preference for such standard, and have sketched a specific plan for effecting the whole change of system, I am aware that it is probably of small comparative importance on which of the precious metals the choice may fall so that a standard be established, or in what specific mode the change of system be effected, so that it be effected safely and to the

convenient attainment of its end; my only object being to shew that a reformation (admitted on all hands to be highly desirable) is also, apparently to a mere reasoner, safe and easy to accomplish; and to call the attention of those who are better qualified by experience and by previous attention to similar inquiries to determine how far my views on the subject are well founded, and what use may be derived from my suggestions.

I am, &c.

Y. Z.











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